Libertarian Tax Policy

John V. Peters

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Economist Henry Simons was a founder of the Chicago School of Economics and a specialist in taxation. He was also a self-described libertarian. In his 1948 book Economic Policy for a Free Society, page 6, he wrote: "What is important for libertarians is that we preserve the basic processes of free exchange and that egalitarian measures be superimposed on those processes, effecting redistribution afterward and not in the immediate course of production and commercial transactions." Simons felt that democracy and a market economy could not co-exist unless the benefits of the economy were universally enjoyed. Inequality of income and wealth had to be tamped down and held in check. He advocated progressive income and wealth taxation as essential to the maintenance of a free society. Simons' prescriptions were followed through the 1970s with great success for both the economy and democratic society. In 1952 and 1953, for example, individual income over $200,000 was taxed at a rate of 92% and inherited wealth over $10 million was taxed at a rate of 77%. Adjusted for inflation over the intervening 62 years to 2015, these top tax rate brackets would begin at income of $1.25 million and wealth of $62.5 million. As Henry Simons wrote in his 1938 book Personal Income Taxation, pages 18-19: "The case for drastic progression in taxation must be rested on the case against inequality on the ethical and aesthetic judgment that the prevailing distribution of wealth

and income reveals a degree (and/or kind) of inequality which is distinctly evil or unlovely." This is what commonsense, fact-based libertarianism looked like in the 1930s and 1940s, and the recommendations of Henry Simons were followed in the U.S. from the years of WWII up until President Ronald Reagan oversaw the reversal of libertarian tax policy after his 1980 election.